

WORLD COARSE GRAINS SITUATION AND OUTLOOK

MONTHLY HIGHLIGHTS:

Shrinking Competition Helps U.S. Corn Exports Expand: U.S. corn export sales have surged in recent weeks, particularly to Southeast Asia and North Africa, where the United States faced stiff competition from China and South America last year. Cumulative U.S. commitments (exports and outstanding sales) to Indonesia and Malaysia are currently at 440,000 tons, compared to less than 100,000 tons of combined exports to these destinations in each of the previous 2 years. Both countries had shunned U.S. corn in recent years in favor of cheaper Chinese exports. However, as uncertainties continue to shroud China's export program for 2004, importers in Malaysia and Indonesia are turning to the United States.

U.S. commitments to Egypt, Morocco, Algeria, and Tunisia are also ahead of 2002/03. Most notably, sales to Egypt are more than triple the previous year's pace, while Argentina's sales to this destination have stalled. Meanwhile, Morocco has been shifting away from Brazil to the United States. As Argentina expects a smaller crop in early 2004, and Brazil's shipments will focus primarily on the EU, the United States is in a good position to further expand its market share in North Africa.

PRICES:

Domestic: Early December Gulf export bids for #2 yellow corn averaged \$115/MT, up \$4 from last month (\$9 from October), fueled by strong exports.

Early December export bids for #2 yellow sorghum (Texas Gulf) averaged over \$118/MT, up nearly \$4 from last month (and nearly \$10 from September), and maintained a premium to corn. Strong shipments to Mexico, Israel, and the EU have kept prices firm.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **United States corn** climbs 1.0 million tons to 48.5 million as competition shrinks.
- **Argentina corn** drops 500,000 tons to 10.0 million with smaller crop prospects.
- **Brazil corn** is down 500,000 tons to 5.0 million based on a slower-than-expected pace in recent months.
- **Australia barley** is up 500,000 tons to 4.3 million as a result of a larger crop and diminishing competition from the EU.

- **EU barley** is cut by 500,000 tons to 3.0 million as the Commission continues to suspend export tenders.
- **United States sorghum** is up 200,000 tons to 5.0 million because of continued strong sales to the EU, offset somewhat by slow exports to Mexico.
- **EU rye** is down 150,000 tons to 350,000 due to the continued suspension of export licenses and strong domestic feed grain prices.

Selected Importers

- **South Africa corn** is halved to 100,000 tons based on ample domestic supplies.
- **EU sorghum** increases by 400,000 tons to 700,000--second highest in 8 years--as U.S. and Brazilian sorghum remain competitive in Southern Europe.
- **Mexico sorghum** is down 200,000 tons to 3.3 million, the lowest in 7 years. It is being replaced by comparatively cheaper U.S. corn.
- **Japan rye** drops by 100,000 tons to 200,000 because of the EU's suspension of export tenders.

TRADE CHANGES IN 2002/2003

Selected Exporters

- **EU barley** jumps 1.0 million tons to 6.0 million, in light of unexpectedly high trade volume late in the season.
- **EU oats** slide from 900,000 tons to 800,000 because of slow late-season shipments.

Selected Importers

- **EU corn** is up 200,000 tons to 3.2 million based on pace.
- **Japan corn** is up 368,000 tons to 16.868 million per final trade data.
- **Mexico corn** is down 216,000 tons to 5.284 million per final trade data.
- **Saudi Arabia barley** soars 1.3 million tons to 7.3 million, evidenced by strong late-season shipments from the EU.

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